Turnaround Factors – Overview

Turnaround factors fall broadly into two categories – organizational (internal) factors that are subject to intervention in influencing turnaround, and **market (external) factors** that can serve as enablers or constraints to intervention.

Market (External) Factors	Organization (Internal) Factors
Market position	Service line volume and market position
Hospital market structure	Revenue cycle management
Physician market structure	Resource utilization
Structure of health care finance market	Labor management
Population demographics	Supply chain management
Local economic factors	Physician relationships
	Faculty / employed physician productivity
	Cash flow / balance sheet
	Management capability and experience

Market (External) Factors

ILLUSTRATIVE

Market factors sometimes can be influenced over the long term through competitive strategy, but rarely in sufficient time to influence a turnaround.

- Market position
  - Share
  - Geographic coverage
  - Control of unique services (children's hospital, transplant services)
  - Consumer / Employer image ("indispensability")
- Hospital market structure
  - Supply and demand of competitor hospitals (over/under capacity)
  - Organization of competitor market (degree of consolidation)
- Physician market structure
  - Supply and demand of physicians
  - Specialty physician supply issues
  - Degree of organization of physician marketplace
  - Physician practice economics (managed care rates; malpractice issues)
  - Physician control of hospital and / or ancillary capacity
- Structure of health care finance market
  - Number of health plans
  - Degree of market managed care penetration
  - Type of health plan contracting arrangements (capitation, case rates, per diems, discounted charges, etc.)
  - Prevailing government rates and eligibility standards (Medicaid; Uncompensated care assistance)
- Population demographics (e.g.,
  - Age (Medicare eligible)
  - Stage of life (Women of childbearing age)
  - Socio-economic status (Medicaid enrollment)
  - Health care use rates
  - Disease incidence
- Local economic factors
  - Unemployment rates (Uninsured)
  - Degree of organization among employers

Application of Turnaround Factors

ILLUSTRATIVE

External market forces that impact the structure of the industry evolve over time, requiring long-term commitment to influence change.

	Rate of Significant Change	
	≤ 1 Yr	> 1 Yr
Market Position		
Share		
Geographic coverage		
Control of unique services		
Consumer/Employer image		
Hospital Market Structure		
Supply and demand of competitors (capacity)		
Organization of competitor market (degree of consolidation)		
Physician Market Structure		
Supply and demand of physicians		
Specialty physician supply issues		
Degree of organization of physician marketplace		
Practice economics		
Physician control of hospital/ancillary capacity		
Structure of Healthcare Finance Market		
Number of health plans		
Degree of market managed care penetration		
Type of health plan contracts		
Prevailing government rates and eligibility standards		
Population Demographics		
Age and Stage of Life		
Socioeconomic status		
Health care use rates		
Disease incidence		
Local Economic Factors		
Unemployment rates		
Degree of organization among employers		

Key:
High Impact
Moderate Impact

Source: BDC Advisors, LLC

ILLUSTRATIVE

Organizational factors that are targets for intervention have the potential to effect a turnaround.

- Service Line Market Position
  - Launch new service
  - Recruit new physicians
  - Referral source development
  - Scheduling practices
  - Triage urgent care out of ER
  - Improve bed turnover
  - Add ICU/Med-Surg capacity
- Revenue Cycle Management
  - Adjust service mix to target more attractive payors
  - Rationalize price/volume relationships
  - Confront/cancel poor performing contracts
  - Improve billing efficiency
  - Pursue uncompensated care relief through legislature
- Labor Management
  - Develop census-based staffing
  - Raise authorization levels for overtime
  - Consolidate agency hiring
  - Implement recruiting/retention programs
  - Benchmark wage and benefits
  - Re-negotiate onerous work rules
- Physician Relationships
  - Implement medical advisory board
  - Ensure engaged, empowered medical leadership
  - Monitor and control medical director fees
  - Focus on issues important to efficient medical practice
  - Appropriate technology availability
  - Recruit star quality leaders and providers
- Faculty Physician Productivity
  - Benchmark physician productivity and compensation
  - Implement compensation based on productivity, collections
  - Benchmark practice operations and costs
  - Consolidate small practices
  - Differentiate between hospital and physician support staff in compensation package
- Cash Flow / Balance Sheet
  - Improve current accounts balance
  - Monetize fixed assets
  - Divest non-core businesses
  - Restructure debt
  - Establish development program

Turnaround Factors – Timing

ILLUSTRATIVE

Turnaround interventions vary in terms of the length of time required to have an impact and the risk associated with external market influence.